



**Director of
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Page Denied

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Contents

25X1

West Germany: *Schmidt Criticizes Party Members* 2USSR - Western Europe: *Weak Demand for Soviet Oil* 3EC: *Summit Meeting* 4

25X1

South Africa: *Claim of Nuclear Delivery System* 6Namibia: *Pessimism Over Negotiations* 6

25X1

Austria-Poland: *Reaction to Kreisky Proposal* 7East Germany: *Change in Military Service* 8Philippines - Saudi Arabia: *Conclusion of Talks* 8

Special Analysis

Poland: *Prospects for Solidarity* 9

Top Secret

25X1

25X1

Page Denied

Top Secret

25X1

WEST GERMANY: Schmidt Criticizes Party Members

//Chancellor Schmidt, addressing his party's parliamentary caucus last week, denounced the tactic advocated by party Chairman Brandt of attempting to co-opt the left and stated that a return to practical politics was the key for the party to remain in power.//

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//Schmidt told the party caucus that it must realize there is no majority in West Germany for a policy oriented to the left of center. He emphasized that a policy of equidistance between the US and the USSR has no support among the West German people.//

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//Brandt and others believe the party must either cultivate the left, especially young leftist intellectuals, or lose a large percentage of its future supporters to the "Green" and Alternative Parties which already are polling over 5 percent of the vote and have entered four state assemblies. Schmidt, however, contends the Social Democrats are losing far more of their support from the center by following this tactic than they can pick up on the left.//

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Comment: //With only three weeks remaining before the Social Democrats' party congress in Munich, Schmidt is mounting an aggressive campaign to rally support for his government's stand on security policy and the importance of close ties with the US. He needs strong support for his positions at the congress to counter the party's public image of disunity before elections in Hamburg in June and in Hesse in September, which if lost could bring down the government. The Chancellor apparently hopes that his party's poor showing in the Schleswig-Holstein and Lower Saxony elections will convince party members that a move to the left would lead to a Christian Democratic government.//

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//Brandt and his followers can be expected to seek vaguer, more "flexible" party positions which would accommodate the left. Such proposals could lead to a divisive struggle over the party's future course. In the near term, the party appears unlikely to continue losing supporters to the "Greens" and Alternatives as long as it continues to govern, and to the opposition or nonvoters as long as it continues to seek accommodation with the left.//

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USSR - WESTERN EUROPE: Weak Demand for Soviet Oil

Slackening West European demand for Soviet oil has reduced the USSR's hard currency earnings and would substantially damage Moscow's hard currency position if it were to continue much longer.

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A senior Portuguese trade representative last week stated that Lisbon has refused to renew its agreement signed last year to purchase oil from the USSR because of the high prices asked. Portugal may continue to purchase Soviet oil but will do so on the spot market, where prices have fallen \$5-6 per barrel since mid-January.

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Comment:

If prices continue at the current level throughout this year, Soviet oil earnings would be reduced by about \$2 billion. In addition, there would be a further loss in hard currency if the volume of Soviet oil exports also fell.

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The weak demand for oil already has caused problems for Moscow. It comes at a time when shortfalls in the harvest have led to large outlays of hard currency for grain, meat, and sugar imports.

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EC: Summit Meeting

//The EC leaders will emphasize their unity on major economic and foreign policy issues at their meeting today and tomorrow in Brussels, but a special session of the Foreign Ministers on Saturday to address difficult EC budgetary problems will be more than usually contentious.// []

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//The leaders plan to focus on relations with the US--principally trade issues and high interest rates, US desires for credit restrictions against the USSR, and ways to improve the dialogue with Washington. They also will discuss Poland, the Middle East, and possible political and economic initiatives on Central America.// []

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//The agenda does not include the most urgent problem facing the Community: finding a formula for determining the size of the rebate to the UK from its EC budget contribution. EC Foreign Ministers recently managed to postpone another battle over this matter by deferring discussion until after the summit.// []

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Comment: //The leaders probably will issue only general statements on the agenda items and are unlikely to move forward on credit restrictions against Moscow. On Central America, most will want to assess the results of the elections in El Salvador before seriously considering taking positions.// []

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//British Prime Minister Thatcher, despite deferral of the rebate issue, may feel compelled for domestic reasons to raise it. The only other discordant note may come from Greek Prime Minister Papandreu, who may remind his colleagues of Greece's demands for economic concessions.// []

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//The hard arguments will come at the end of the week when the Foreign Ministers deal with a number of budget and agricultural disputes. If they fail to resolve the rebate issue, Thatcher will block scheduled EC farm price increases--an action she believes would bring EC members back to the bargaining table.// []

25X1

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25X1

Page Denied

Top Secret

25X1

SOUTH AFRICA: Claim of Nuclear Delivery System

South Africa has publicized the development of a 155-mm artillery system capable of carrying nuclear warheads. Pretoria claims that it is more accurate and that its range is 40 percent greater than similar foreign systems. [REDACTED]

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Comment: Pretoria in the past has hinted that it had nuclear weapons, but this assertion marks the first time it has claimed a delivery system. It is unlikely, however, that Pretoria has developed the capacity to produce tactical nuclear warheads suitable for such a system. [REDACTED]

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NAMIBIA: Pessimism Over Negotiations

//A senior official of the South-West Africa People's Organization has announced that his group soon may break off negotiations unless the Western Contact Group changes its voting formula for electing a Namibian constituent assembly. Most leaders of the Frontline States indicate that they will go along with whatever SWAPO decides on this issue, but they still want to keep the talks going.// [REDACTED]

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Comment: //SWAPO leader Nujoma will be unable to change his position on this issue without losing face. Most Frontline leaders now appear to expect the West to ask South Africa to choose between selecting candidates through a system of proportional representation or by single-member constituency.// [REDACTED]

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AUSTRIA-POLAND: Reaction to Kreisky Proposal

//An Austrian Foreign Ministry official claims that Chancellor Kreisky has received positive reactions from Warsaw and Moscow on his proposal for a CSCE-type congress to deal with Poland. Kreisky's plan calls for agreement by the participants that Poland remain in the Warsaw Pact, lifting of martial law, release of detainees, and reconstruction of the Polish economy. Kreisky has proposed a dialogue among various groups in Poland, but he believes that Solidarity's interests would have to be represented in some other way because the union is no longer acceptable to either Warsaw or Moscow.//

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Comment: //It is uncertain whether Kreisky is only attempting to encourage a Western response or whether he has genuine support for his plan from Soviet Bloc countries, which would find the terms favorable. The plan is not likely to receive much Western support because it demands substantial Western concessions without guarantees for political or social reforms.//

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EAST GERMANY: Change in Military Service

The parliament late last week revised the conscription law to increase the commitment of reserves and, according to press reports, to make women liable for the first time for regular military service during an emergency. Contrary to widespread reports, the regime did not take the unpopular step of increasing the current active duty obligation from 18 months to 24. East Germany, which has yet to recover from the huge population loss that occurred before the construction of the Berlin Wall, has had increasing difficulty meeting current manpower requirements for its armed forces. [redacted]

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Comment: The government may have backed off from an extension of active duty for conscripts to avoid giving impetus to its most serious domestic political problem, the growing "peace movement" among East German youth. Over the short term, the regime may rely on a mix of coercion and rewards to gain service extensions, but demographic trends probably will force East Berlin to increase the length of service for inductees. [redacted]

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PHILIPPINES - SAUDI ARABIA: Conclusion of Talks

President Marcos, during his recent visit to Saudi Arabia, received assurances of continued oil supplies, expanded opportunities for construction and labor contracts, and a \$500 million loan on favorable terms. He failed to persuade Riyadh to mediate with Philippine Muslim rebel leaders, although Saudi Foreign Minister Prince Saud tried, unsuccessfully, to persuade Nur Misuari, leader of the Moro National Liberation Front, to meet with Marcos. Both Marcos and Misuari did meet separately with the Secretary General of the Organization of the Islamic Conference, which will continue its attempts to resolve the Philippine Muslim problem. [redacted]

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Comment: In addition to accomplishing his major economic objectives, Marcos apparently convinced the Saudis that he is dealing fairly with Muslim concerns. Misuari's refusal to moderate his demands for independence probably will cost him support in the Organization of the Islamic Conference, currently chaired by King Khalid. [redacted]

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SPECIAL ANALYSIS

POLAND: Prospects for Solidarity

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Solidarity is thoroughly suppressed as an independent national trade union, but it remains active at the local level. Those leaders still at large are having some success establishing an underground organization, and they remain confident that they eventually will be able to force the regime to come to terms with them. Although most Solidarity leaders urge only passive resistance, the more aggressive activities of a minority of young militants and the consequent police repression could cause scattered violence.

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The Solidarity leaders who have avoided internment have not yet tried to rebuild a nationwide organization, and they are still uncertain about what activities they can and should undertake. The relaxation of most travel restrictions allows some contact among different regions, but the need to rely on couriers makes most communication slow. The regime's apparently close monitoring of long-distance telex and telephone service and its refusal to allow automatic placement of calls has inhibited contacts.

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Many of those involved in organizing efforts are largely second- and third-echelon leaders who do not know their counterparts in other regions. This is making reestablishment of a national organization difficult.

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The gradual release of interned Solidarity activists and supporters--3,600 of the more than 6,000 interned are still being held--probably has been a mixed blessing. Although those released may bring new life to opposition groups, they are being closely watched and could inadvertently lead the police to underground organizations. Some internees--threatened with arrest and trial if they become reinvolved in Solidarity activities--have decided to avoid the fray, and a few are considering the regime's offer to emigrate. [redacted]

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Differences Over Tactics

Most underground activists--including Zbigniew Bujak, the senior Solidarity leader still free--seem sobered by the experience of martial law and caution against encouraging violence and bloodshed. These moderates foresee a prolonged struggle--using leaflets, silent marches, short strikes, and passive resistance--to keep the spirit of Solidarity alive and to impress the regime that the union is still a force to be reckoned with. As with the intellectual dissidents in the late 1970s, Solidarity leaders at a minimum want to prepare the organization to become more active again should circumstances become more favorable. [redacted]

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A small number of union activists and supporters advocate violence as the only way to force the regime to negotiate with Solidarity leader Walesa. Such acts could provoke the insecure regime to new repression, which would in turn increase public anger. Some students now appear particularly militant, making the universities a source of tension. [redacted]

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The strength of groups intent on violent resistance is difficult to gauge, in part because the secret police may have organized some in order to flush out Solidarity militants and to entrap any Western government or private groups supporting them. [redacted]

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Regime Intentions

The government appears to be ostentatiously ignoring the union that once claimed the allegiance of almost one-third of the population. Few, if any, in the regime want to accord the union leaders the status of negotiating partners. The delay in passing a trade union bill and the recent attacks on Solidarity by the most conservative media, however, suggest some differences over what tactics to pursue against Solidarity. []

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The authorities are trying to lay the groundwork for a new, officially sponsored network of compliant unions, organized by craft rather than on geographical lines. These unions are unlikely to gain worker support and will not stimulate greater productivity. []

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The martial law regime may be frustrated by its failure to gain Walesa's cooperation, but it seems content to keep him isolated and to try to bring him around by showing that it has firm control. The Minister for Trade Union Affairs, who has been in frequent contact with Solidarity leaders, calls Poland an "ammunition dump" and Walesa a "detonator" which will have to be kept apart. []

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Outlook

Although Solidarity is no longer the principal driving force in politics, its broadly supported demands for reform will continue to influence policy debates between moderates in the regime who believe some accommodation is necessary and hardliners who support strict controls from above. Solidarity will continue to make only limited headway in reestablishing a nationwide organization, because police surveillance and fear of police infiltration will tend to prevent the organization from coordinating above the local or regional level. []

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In the coming months Solidarity will remain a conspiratorial organization capable of causing problems for the government but not strong enough to force its will on the authorities. The principal danger to the regime in the near future is that public discontent with economic conditions may lead to spontaneous outbursts. []

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